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## Recommending a CPA firm: How to pick a leader

American Institute of Certified Public Accountants. Private Companies Practice Section

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### **A Tradition of Leadership**

Founded in 1977, the Private Companies Practice Section (PCPS) is an association of more than 6,000 local, regional and national CPA firms that serve private companies. It is part of the American Institute of CPAs, the national professional organization of CPAs with approximately 300,000 individual members.

As a condition of membership in PCPS, firms voluntarily participate in a demanding quality control program, which includes a peer review of their accounting and auditing practice every three years, the results of which are available to the public. In addition, all firm professionals must have an average of at least 40 hours of continuing professional education every year.

### **An Invitation**

For more information about PCPS, or to obtain a copy of a member firm directory or an individual peer review report, call 1-800-CPA-FIRM (212-575-6446 in New York State) or write:

Private Companies Practice Section  
American Institute of CPAs  
1211 Avenue of the Americas  
New York, NY 10036-8775

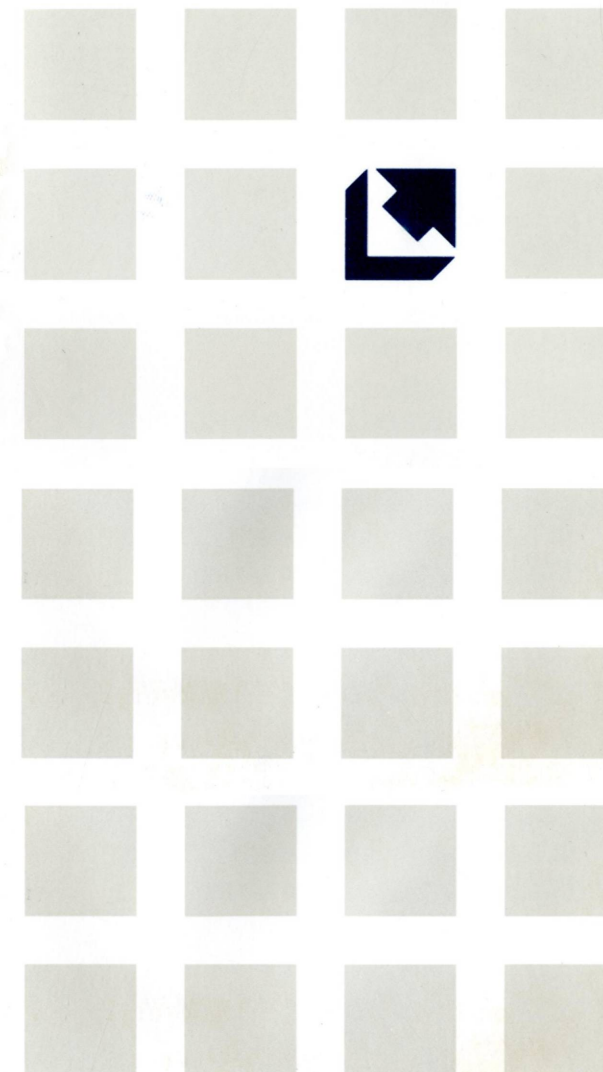


### **Private Companies Practice Section**

American Institute of CPAs  
1211 Avenue of the Americas  
New York, NY 10036-8775

Recommending a  
CPA Firm:

## **How to Pick a Leader**







## PCPS Firms — As Good As Your Word

Bankers and lawyers are often asked to refer the services of a CPA firm to clients and colleagues. Since your referral is as good as your word, you need to know you're recommending a CPA firm that's a leader in quality, integrity and service.

That's why many bankers and attorneys turn to the members of the Private Companies Practice Section (PCPS) of the American Institute of CPAs.

When you recommend a PCPS member firm, you can be confident that it:

- regularly receives a peer review of its accounting and auditing practice
- submits peer review results to a public file
- participates in professional education programs to keep current with issues affecting the profession
- belongs to the largest organized group of quality CPA firms, which acts as an advocate for all privately held companies

## About Peer Review: An Independent Guide to Quality

The cornerstone of the accounting profession's self-regulatory program since 1977, peer review is designed to assure the public that PCPS member firms provide services of the highest quality.

PCPS firms undergo a peer review every three years. During the process, a team of outside CPAs visits the firm and tests actual audit and accounting engagements. Among other things, the review team evaluates policies and procedures on:

- Independence requirements
- Hiring practices
- Personnel assignments
- Supervision and consultation on engagements
- Continuing professional education
- Obtaining and retaining clients

Following the review, the review team provides the firm with a report on its findings, which is available to the public. Because the size of a firm is no indicator of the quality of its services, review standards are the same for large and small firms.

The peer review system has worked so well that the AICPA has made a similar form of practice monitoring mandatory for all members in public practice. There is a major difference, though: the results of PCPS reviews are available to the public.

## Checking the Credentials of a Firm

Anyone can request a copy of a firm's PCPS peer review report. When you do, you'll see that the review team's findings will fall into one of three categories:

**1. Unqualified**, meaning that the firm is conforming to professional standards. About 89% of reviewed firms receive this report.

**2. Qualified**, meaning that the firm is conforming to professional standards in all areas except those indicated. About 10% of firms receive this report.

**3. Adverse**, meaning that the review team does not have reasonable assurance that the firm is conforming to professional standards. About 1% of PCPS firms receive adverse reports.

In most cases, the report is accompanied by a "letter of comments" that suggests how the firm can improve its practices. And you'll also see the firm's written response to those suggestions.

## Continuing Education: Proof of Professional Competence

In accounting — as in any profession — practitioners need to stay up-to-date on issues that affect their clients' businesses.

At PCPS firms, *all professional staff*, not just CPAs, must take at least 40 hours of continuing professional education each year. That's more than the profession demands of non-member firms, and another reason why PCPS member firms stand apart.

These courses cover subjects that help professionals stay abreast of changes in technical and professional standards — and maintain excellence in their practices. The result: you can be confident in the talent and training of every professional at a PCPS member firm.

## Advocacy: A Commitment to Privately Held Companies

PCPS plays a vocal advocacy role. The goal of such communications is two-fold: (1) to strive for balance on accounting, auditing and tax issues that affect small businesses, and (2) to ensure that professional pronouncements accommodate the needs of CPA firms of all sizes.

In the past, for example, PCPS has worked to reduce "standards overload" for private companies. It has promoted tax-basis and cash-basis financial statements as an alternative to GAAP. And it maintains active liaison with the Financial Accounting Standards Board and other standard-setters.

All these activities keep PCPS members on top of rapidly changing technical issues and close to the needs of their clients.